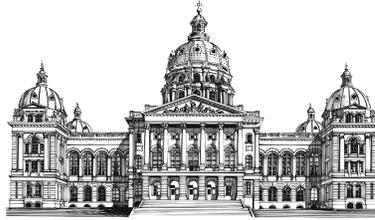


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# Iowa Legislative Services Agency Fiscal Services

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State Capitol  
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December 7, 2005

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## Wallace State Office Building

### ISSUE

This **Issue Review** examines the State's ability to fund alternatives identified by the Department of Administrative Services (DAS) concerning the Wallace State Office Building and whether or not to renovate the existing structure or construct a new building.

### BACKGROUND

Construction of the Wallace Building was completed in 1978 at a cost of \$10.4 million. The Building contains a total of 229,317 gross square feet, with net usable space of 159,222 square feet. Current occupants include the Department of Agriculture and Land Stewardship (DALs), the Department of Natural Resources, and the Department of Public Safety (DPS).

In spring 2005, the laboratory functions of the DALs; DPS, Division of Criminal Investigation; and the University of Iowa Hygienic Laboratory were relocated to a new facility in Ankeny. The laboratories occupied approximately 60,000 square feet. The remaining non-laboratory functions of the DPS will vacate the Wallace Building in early 2007, and relocate to the Records and Property Building when renovation of that building is completed.

### DAS REPORT RECOMMENDATIONS

The DAS received \$230,000 in FY 2004 to fund an evaluation of the Wallace Building, and to provide recommendations as to whether the Building should be renovated or demolished and a new building constructed. The Department hired the construction consultant, AMEC E&C Services, Inc. to complete the study. The Report was completed in December 2004, and the recommendations presented to the General Assembly in January 2005. The Report recommends renovation as opposed to demolition and construction of a new building.

The Report also made recommendations for immediate improvements to meet the short-term needs of the occupants over a two-year period while policymakers decide the fate of the Building. The minimum repairs and modifications were estimated at \$623,000 and include the following:

- Temporary shoring of the upper deck of the parking ramp.

- Changes in the first floor electrical equipment room, including relocation of existing electrical equipment outside the Building to resolve building code issues.
- Modifications to the existing heating, ventilation, and air conditioning equipment to improve performance and maintenance accessibility.

The General Assembly appropriated \$625,000 from the Rebuild Iowa Infrastructure Fund to the DAS for FY 2006 for these repairs and modifications as recommended by the consultant's report.

## RENOVATION VERSUS NEW CONSTRUCTION

The DAS presented the following cost estimates for building renovation and new construction to the Legislative Fiscal Committee in September 2005.

### **Building Renovation**

The Department estimates it will cost a total \$51.1 million to renovate the Wallace Building. The estimated cost assumes the Building would be vacated at the time of renovation. This cost includes \$32.0 million for design and renovation; \$4.0 million for building furnishings (furniture, fixtures, and equipment); \$12.0 million for relocation of building occupants into temporary lease space for approximately 30 months and back to the renovated facility; \$3.2 million for routine maintenance and building operational costs. The design would take approximately 12 months to complete followed by 18 months for renovation. The following table summarizes the cost estimates by fiscal year.

**Wallace Building Renovation Costs**

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	Total
Design	\$ 2,560,000	\$ 448,000	\$ 192,000	\$ 0	\$ 0	\$ 3,200,000
Renovation	0	19,200,000	9,600,000	0	0	28,800,000
Furnishings	0	0	3,981,000	0	0	3,981,000
Leased Space Improvements	3,823,600	0	0	0	0	3,823,600
Relocation Costs	828,000	0	1,750,000	0	0	2,578,000
Temporary Lease Space	1,239,000	2,478,000	1,858,500	0	0	5,575,500
Building Operations & Maint.	0	0	286,250	1,145,000	1,145,000	2,576,250
Routine Maintenance	0	0	0	200,000	400,000	600,000
<b>Total</b>	<b>\$ 8,450,600</b>	<b>\$ 22,126,000</b>	<b>\$ 17,667,750</b>	<b>\$ 1,345,000</b>	<b>\$ 1,545,000</b>	<b>\$ 51,134,350</b>

### **New Construction**

The DAS provided estimates for four new construction alternatives that ranged from \$57.4 million to \$92.2 million. **Attachment A** provides the cost estimates by fiscal year for each of the alternatives.

Alternatives 1 and 2, which cost \$79.7 million and \$92.2 million respectively, consist of constructing a new 350,000 square foot building, which is approximately 120,000 square feet larger than the existing Building. The additional square footage would allow the Department to relocate other State agencies out of leased space and into the new facility, thus, reducing the State's cost for leased space. The estimated savings from existing leases is not yet known. Currently, State agencies spend approximately \$8.0 million annually for lease space in the Des Moines area.

Alternative 1 would be to construct a building on a different site from where the Wallace Building is currently located, allowing the occupants to remain in the Wallace Building until the new structure is

completed. Alternative 2 assumes the new building is constructed on the existing site, requiring the occupants to temporarily relocate into leased space.

Alternatives 3 and 4, which cost \$57.4 million and \$69.9 million respectively, consist of constructing a new 250,000 square foot building, similar in size to the existing building. Alternative 3 assumes the building would be constructed on a different site, while Alternative 4 assumes construction on the existing site, with the primary difference in cost being the relocation of the occupants. The design and construction of a new building is projected to take four years.

### **FUNDING ALTERNATIVES**

The Rebuild Iowa Infrastructure Fund (RIIF) is the most likely source of funding for the project. **Attachment B** shows the estimated funding available for new appropriations from the RIIF for FY 2007 through FY 2011. The Attachment includes estimated revenues, appropriations currently enacted, and the amount available for new appropriations. The following amounts will be available for appropriation over the next five years:

- FY 2007: \$48.4 million
- FY 2008: \$83.8 million
- FY 2009: \$84.1 million
- FY 2010: \$134.3 million
- FY 2011: \$131.9 million

The General Assembly will likely use a portion of these available moneys to fund ongoing leases previously authorized by the General Assembly, certain grant programs, and other priorities that have traditionally been funded from the RIIF. Collectively, these programs were appropriated a total of \$20.0 million in FY 2006 and include:

- Automated Fingerprint Information System Lease Purchase: \$550,000
- Department of Corrections Alliant Energy Lease Purchase at Fort Madison: \$233,000
- Iowa Communications Network Maintenance and Leases: \$2.7 million
- The Accelerated Career Enhancement (ACE) Program: \$5.5 million
- Commercial and General Aviation Airport Improvement Programs: \$2.0 million
- Routine Maintenance of State Facilities: \$2.0 million
- Pooled Technology Program: \$3.8 million
- Enrich Iowa Libraries Program: \$900,000
- County Fair Infrastructure: \$1.1 million
- Program for Playground Safety: \$500,000
- Historical Preservation Grant Program: \$800,000

If the General Assembly decides to fund the Wallace Building project, the renovation or construction of a new building would need to be cash-flowed over multiple years to coincide with the timing of the projected work. Using current estimates, the RIIF is projected to have enough funding capacity for the project.

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# ATTACHMENT A

## New Building Construction Alternatives

### Alternative #1 New Construction (350,000 sq. ft., New Site)

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	Total
Design	\$ 3,850,000	\$ 2,030,000	\$ 560,000	\$ 560,000	\$ 0	\$ 7,000,000
Construction	0	12,600,000	25,200,000	25,200,000	0	63,000,000
Furnishings	0	0	0	0	6,084,100	6,084,100
Relocation Costs	0	0	0	0	308,000	308,000
Wallace Bldg Routine Maint.	0	200,000	400,000	200,000	0	800,000
Building Operations & Maint.	0	0	0	0	1,750,000	1,750,000
Wallace Bldg Demolition	0	0	0	0	750,000	750,000
<b>Total</b>	<b>\$ 3,850,000</b>	<b>\$ 14,830,000</b>	<b>\$ 26,160,000</b>	<b>\$ 25,960,000</b>	<b>\$ 8,892,100</b>	<b>\$ 79,692,100</b>

### Alternative #2 New Construction (350,000 sq. ft., Same Site)

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	Total
Design	\$ 3,850,000	\$ 2,030,000	\$ 560,000	\$ 560,000	\$ 0	\$ 7,000,000
Construction	0	12,600,000	25,200,000	25,200,000	0	63,000,000
Furnishings	0	0	0	0	6,084,100	6,084,100
Relocation Costs	0	828,000	0	0	308,000	1,136,000
Leased Space Improvements	0	3,823,600	0	0	0	3,823,600
Temporary Lease Cost	619,500	2,478,000	2,478,000	2,478,000	619,500	8,673,000
Building Operations & Maint.	0	0	0	0	1,750,000	1,750,000
Wallace Bldg Demolition	0	750,000	0	0	0	750,000
<b>Total</b>	<b>\$ 4,469,500</b>	<b>\$ 22,509,600</b>	<b>\$ 28,238,000</b>	<b>\$ 28,238,000</b>	<b>\$ 8,761,600</b>	<b>\$ 92,216,700</b>

### Alternative #3 New Construction (250,000 sq. ft., New Site)

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	Total
Design	\$ 2,750,000	\$ 1,450,000	\$ 400,000	\$ 400,000	\$ 0	\$ 5,000,000
Construction	0	9,000,000	18,000,000	18,000,000	0	45,000,000
Furnishings	0	0	0	0	4,346,000	4,346,000
Relocation Costs	0	0	0	0	220,000	220,000
Wallace Bldg Routine Maint.	0	200,000	400,000	200,000	0	800,000
Building Operations & Maint.	0	0	0	0	1,250,000	1,250,000
Wallace Bldg Demolition	0	0	0	0	750,000	750,000
<b>Total</b>	<b>\$ 2,750,000</b>	<b>\$ 10,650,000</b>	<b>\$ 18,800,000</b>	<b>\$ 18,600,000</b>	<b>\$ 6,566,000</b>	<b>\$ 57,366,000</b>

### Alternative #4 New Construction (250,000 sq. ft., Same Site)

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	Total
Design	\$ 2,750,000	\$ 1,450,000	\$ 400,000	\$ 400,000	\$ 0	\$ 5,000,000
Construction	0	9,000,000	18,000,000	18,000,000	0	45,000,000
Furnishings	0	0	0	0	4,346,000	4,346,000
Relocation Costs	0	828,000	0	0	220,000	1,048,000
Leased Space Improvements	0	3,823,600	0	0	0	3,823,600
Temporary Lease Cost	619,500	2,478,000	2,478,000	2,478,000	619,500	8,673,000
Building Operations & Maint.	0	0	0	0	1,250,000	1,250,000
Wallace Bldg Demolition	0	750,000	0	0	0	750,000
<b>Total</b>	<b>\$ 3,369,500</b>	<b>\$ 18,329,600</b>	<b>\$ 20,878,000</b>	<b>\$ 20,878,000</b>	<b>\$ 6,435,500</b>	<b>\$ 69,890,600</b>

## Rebuild Iowa Infrastructure Fund

	Estimated FY 2007	Estimated FY 2008	Estimated FY 2009	Estimated FY 2010	Estimated FY 2011
<b>Resources</b>					
Balance Forward	\$ 12,748,351	\$ 0	\$ 0	\$ 0	\$ 0
Revenue					
Wagering Tax Allocation (LSA Estimates)	95,774,432	100,800,000	103,345,000	105,915,000	108,511,000
Wagering Tax Increase (Formerly to Endowment)	0	70,000,000	70,000,000	70,000,000	70,000,000
Casino Tax Credits	0	0	-4,600,000	-4,600,000	-11,006,667
New Riverboat License Fees	8,000,000	8,000,000	8,000,000	0	0
Reserve Fund Interest	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
Interest	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
Marine Fuel Tax	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000
<b>Total Resources</b>	<b>\$ 125,922,783</b>	<b>\$ 188,200,000</b>	<b>\$ 186,145,000</b>	<b>\$ 180,715,000</b>	<b>\$ 176,904,333</b>
<b>Enacted Appropriations</b>					
Environment First Fund	\$ 35,000,000	\$ 35,000,000	\$ 35,000,000	\$ 35,000,000	\$ 35,000,000
Vertical Infrastructure Fund	15,000,000	50,000,000	50,000,000	0	0
Secure an Advanced Vision for Education (SAVE)	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
IPTV - High Definition TV Conversion	2,300,000	0	0	0	0
Community Attraction & Tourism Program	5,000,000	5,000,000	5,000,000	5,000,000	0
Community Colleges Infrastructure	2,000,000	2,000,000	2,000,000	0	0
Other Appropriations	10,711,045	2,450,000	0	0	0
<b>Total Enacted Appropriations</b>	<b>\$ 80,011,045</b>	<b>\$ 104,450,000</b>	<b>\$ 102,000,000</b>	<b>\$ 50,000,000</b>	<b>\$ 45,000,000</b>
<b>Funds Available for Appropriation</b>	<b>45,911,738</b>	<b>83,750,000</b>	<b>84,145,000</b>	<b>130,715,000</b>	<b>131,904,333</b>
Ending Balance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0